



# USAID | UKRAINE

FROM THE AMERICAN PEOPLE

## BUSINESS DEVELOPMENT



Photo: Courtesy of BIZPRO, DAI

Ukrainian vases are widely advertised in the U.S. by the American wholesaler *Phillips Collection*.

### THE CHALLENGE

Ukraine needs to shed burdensome over-regulation, and make the investment environment more business friendly. The high cost of doing business, and lack of an enabling environment and associated high risk create a drag on business investment.

### PROGRAM OBJECTIVES

- Improve the business climate for Ukrainian SMEs through policy and regulatory reform;
- Develop the ability of Ukrainian entrepreneurs and the capacity of SMEs to represent their interests to the government;
- Develop private Ukrainian institutions to provide business skills training and technical assistance;
- Provide technical assistance to commercial banks on small and micro-enterprise credit; and
- Assist the government and private sector to develop a system and procedures to sell land to enterprises and provide support for the emerging real estate market.

### OVERVIEW

Small and medium-sized enterprise (SME) development is essential to Ukraine's transition to a market economy, and eventually could easily become Ukraine's largest source of employment.

USAID business development programs are working to improve the business climate by reducing unneeded government regulations and improving economic and business conditions to draw both domestic and foreign investment; providing technical assistance for skills training and improving microeconomic conditions; and providing access to financial resources.

### OUR PROGRAMS

#### Access To Credit

The project mobilizes credit for use by small and medium businesses, prospective homeowners, farmers and municipalities, with the accent on mortgage lending, municipal bonds, and financial leasing. Central activities include developing an appropriate legal environment; building a knowledgeable cadre of financial professionals, and creating appropriate financial products to meet the needs of Ukrainian SMEs, agriculture, and municipalities. After this project, entrepreneurs will be able to borrow against the value of their homes to provide capital for their businesses; it will be easier for Ukrainian citizens to own their own homes; farmers will be able to finance their agricultural production; and municipalities will be able to upgrade their infrastructure and services. No less important, Ukrainian banks and other financial institutions will gain a greater capacity to make business and home loans.

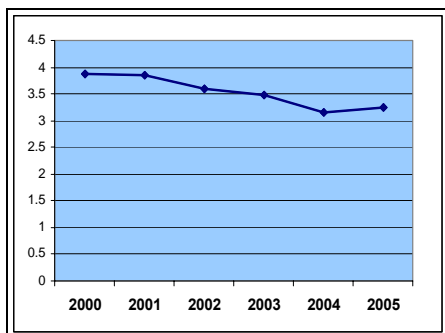
#### BIZPRO

The project provides assistance that improves the ability of small and medium-sized enterprises (SMEs) to operate and compete in local and international markets. BIZPRO has introduced the complex approach of economic development and competitiveness enhancement by implementing enterprise, sector, and policy/legal level initiatives. BIZPRO's programs and activities target the following competitive sectors: textiles and apparel, furniture and home furnishings, construction materials, tourism, ICT, and fruit and vegetable processing as well as cross-sectoral issues related to quality assurance, technology, innovation, and market channels.

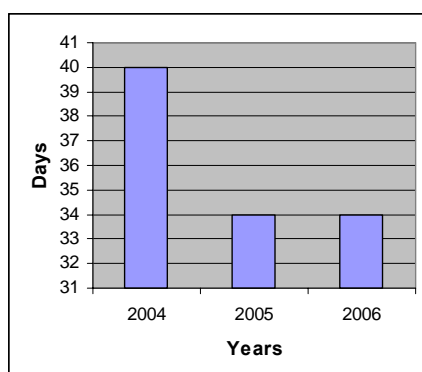
#### Business Investments and Loans

The Western NIS Enterprise Fund (WNISEF) identifies and provides companies in fast-growing sectors with capital and the necessary management tools to evolve from entrepreneurial ventures into professionally managed companies. Equity stakes in these companies range from 25 to 100 percent covering a variety of industry sectors, such as food processing, financial services, construction materials, energy and packaging. WNISEF focuses on performance improvements of existing portfolio companies, followed by divestment and development of additional investments. The Fund utilizes a hands-on approach in working in partnership with owners and managers, to implement effective corporate governance, transparency of operations and finance, as well as to create value in areas such as marketing, sales, financial and strategic management.

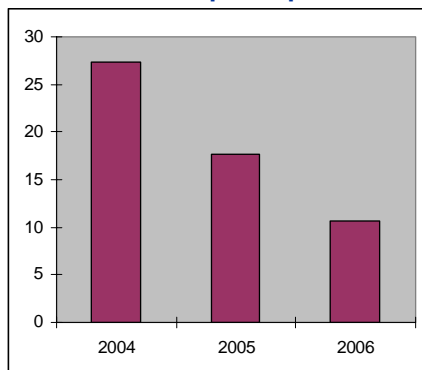
## Economic Freedom Index, 5→1 (Source: HF)



## Business Start Time, days



## Business Registration Cost, % income per capita



## Implementing Partners

**BIZPRO: Development Associates, Inc.**

**Access to Credit: The Pragma Corporation**

**Agricultural Lending in Rural Areas: Nadra Bank**

**Business Investments and Loans: Western NIS Fund**

**WTO: ABT Associates**

## WTO:

The project is developing laws and implementing regulations required to meet WTO requirements and successful adoption by their Ukrainian counterpart; increasing public awareness to gain support of Ukraine law makers and businesses; enabling Ukraine's accession to the WTO and; to increase foreign direct investment.

## PROGRAM HIGHLIGHTS

### Access to Credit

- Assisted the State Mortgage Institution (SMI) with organizational start-up, business plans, and underwriting standards in preparation for its mortgage crediting program and pilot mortgage-backed bond issue.
- Assisted the City of Ivano-Frankivsk to issue and place its first pilot municipal bond for improvement of street lighting.
- Facilitated the start-up of five internationally recognized leasing companies in Ukraine.

### BIZPRO

- Provided assistance in drafting the Permit System Law, which was adopted by the Verkhovna Rada, which stipulates the establishment of a mechanism for performing permitting duties in the sphere of business activity. It includes a One-Stop Shop principle for permit-issuance, which has been successfully implemented by BIZPRO in 41 Ukrainian municipalities.
- Guided a process of quick de-regulation, which was introduced in January 2005 and has led to: elimination of 105 Cabinet of Minister's resolutions and 377 regulations of the central executive bodies; cancellation of 4,003 regulations of the local self government bodies; introduction of amendment to 105 regulations of the central executive bodies and 572 regulations of the local executive power bodies and ; planned elimination of 66 Presidential Decrees.
- Assistance to the tourism cluster in Crimea resulted in an increase of business for Crimean tour operators by 160%.
- Three Ukrainian home furnishings producers penetrated the American market, their products now catalogued by five American wholesalers.
- Five Ukrainian furniture and home furnishings producers increased exports by 400,000 Euros to the European Market.

### WNISEF

- In 10 years, WNISEF has invested \$108 million in 28 companies employing over 21,000 people.

### WTO

- Developed a WTO Accession Roadmap outlining policy, legal, and institutional reform to bring Ukraine's foreign trade regime into full conformity with WTO requirements. The Roadmap served as a guideline for advancing the WTO accession process.
- Helped to write over 40 laws and legal acts to comply with WTO in a number of areas including sanitary and phyto-sanitary measures, technical barriers to trade, customs, intellectual property, foreign trade, unfair trade measures, and taxation.
- Helped to harmonize Ukrainian food safety requirements with Codex Alimentarius and OIE (World Organization for Animal Health) requirements and joining the International Plan Protection Convention.

**For more information, please contact USAID/Ukraine Development Outreach & Communications, tel. (380 44) 537 4600 or visit <http://ukraine.usaid.gov>**